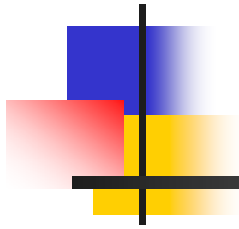


FERC's Generator Interconnection and Transmission Expansion Cost Allocation Policies



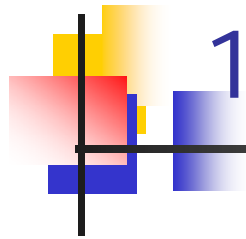
Saeed Farrokhpay
Federal Energy Regulatory Commission
Office of Energy Markets and Reliability
Folsom, CA Regional Office

The views expressed by the presenter do not necessarily reflect
the views of the Commission or the Commissioners.



Overview

1. Order No. 2003
2. Southern California Edison (SCE)
Trunk line Proposal
3. Transmission Expansion and Cost
Allocation Variations in Eastern RTOs
4. Considerations for Alternative Cost
Allocation Proposals



1. Order No. 2003

- Direct assignment of interconnection facility costs to generators up to the point of interconnection to the grid
- Credit for network upgrades (beyond the point of interconnection)
- Variations allowed for independent entities
- Clustering



2. SCE Trunk Line Proposal

- Segment 3, the trunk line, characterized as gen-tie
- Segment 3 rolled-in treatment opposed by a number of market participants
- No benefits to the grid from segment 3; possible detriment to the grid
- FERC granted rolled-in rate treatment for segments 1 & 2



3.a Transmission Expansion and Cost Allocation Variations in RTOs

Southwest Power Pool

- Four-month open season combines requests for service
- Reliability upgrade cost allocation: 1/3 regional, 2/3 local zone
- Economic upgrades and transmission service request upgrades allocated to sponsors/requestors and entitled to credit



3.b Transmission Expansion and Cost Allocation Variations in RTOs

PJM

- Interconnection studies may combine requests that are in close electrical proximity
- Reliability, economic, and interconnection upgrades are included in Regional Transmission Expansion Plan
- Cost allocation for upgrades for interconnection based on MW impact of interconnecting customers
- Reliability and economic upgrades allocated to beneficiaries



3.c Transmission Expansion and Cost Allocation Variations in RTOs

Midwest ISO (pending rehearing)

- Network upgrade costs assigned to interconnecting customer in return for firm transmission rights
- 50/50 network upgrade cost allocation for generators with one-year capacity contract or network resource designation
- Midwest ISO to propose a cost allocation methodology for regionally beneficial projects by 9/1/06



4. Considerations for Alternative Cost Allocation Proposals

- Regional entity variation
- Not unduly preferential
- Grid benefits and prudent planning
- Allocation of cost to beneficiaries
- Stakeholder support



FERC Folsom Regional Office

- Katherine Gensler (916) 294-0275
katherine.gensler@ferc.gov
- Saeed Farrokhpay (916) 294-0322
saeed.farrokhpay@ferc.gov

110 Blue Ravine Rd. Suite 107
Folsom, CA 95630